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SUBJECT: MONEY AND POLITICS: WHO REALLY OWNS ROMANIA?

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Classified By: Political Counselor Theodore Tanoue for reasons 1.4 (b) and (d)

11. (C) Summary. Romania's transition from communism and the ensuing privatization of state enterprises hugely benefited a small group of individuals with connections to the immediate post-Communist regime and/or the ubiquitous Securitate. Some of these individuals leveraged information and relationships gained during careers in the Securitate to make their fortunes while others recruited former Securitate officers to serve their interests. While dozens of regional barons emerged after 1989, a small group of highly influential figures continues to wield significant influence in Romanian politics. None of these figures are tied exclusively to a single party, even if they are themselves members. Many retain murky ties to Romania's former Securitate or figures in the intelligence services, and promote personal interests through their media holdings. This cable provides snapshots of individuals widely considered to be among the leading "oligarchs" in Romania. End Summary.

The top five "Oligarchs"

12. (C) Dan Costache "Dinu" Patriciu: Patriciu is the chairman and majority shareholder of the Rompetrol Group and a prominent member of the PNL. Closely tied to PM Tariceanu, Patriciu essentially controls the PNL's upper echelons and has an enormous amount of leverage over the current government. In addition to this, Patriciu also has a close relationship with former PM Adrian Nastase, the man in power when Patriciu acquired Rompetrol from the state. After years in the Chamber of Deputies, Patriciu was among a group of deputies who resigned from Parliament in 2003 due to the "incompatibilities law" barring the blurring of public and private interests. Despite this, several PNL politicians (particularly Euro-parliamentarians) owe their political careers to Patriciu's financial backing and his influence in this party is unquestionable. During the 2004 elections Patriciu served as a major source of funds for the PNL and advocated a PSD-PNL alliance. According to official disclosure documents, Patriciu donated about twenty-three thousand dollars to the PNL in 2004; the unofficial amount is almost certainly much higher. However, Patriciu hedged his bets on the election, donating at least sixty thousand dollars to the PSD through Rompetrol subsidiaries. In May 2005 he was arrested (but released immediately) on a variety of economic charges in connection to the privatization of the

Petromedia refinery, including fraud, money laundering, and tax evasion (reftel B). Progress in the case has been slow, particularly since the beginning of this year. The charges may be found inadmissible following a July 2007 court ruling that the SRI should pay him damages for illegally tapping his phone. According to a leading business magazine, he was worth approximately 600 million USD as of 2006.

¶3. (C) Dan Voiculescu: Senator Voiculescu heads the Conservative Party (PC), is a major shareholder in the Grivco business group and controls the Intact Media Group (which controls three prominent television stations, the second highest circulation newspaper, Jurnalul National, and the weekly Saptamana Financiara newspaper, among other assets). In June 2006, he was officially declared a Securitate collaborator under the codename "Felix", preventing him from taking up a position as Deputy Prime Minister. Though he insisted that his past role in the Securitate was no greater than the typical Romanian and that he had served his country by earning hard currency, his Communist-era position as the manager of a Securitate-front company suggests he was a high-ranking Securitate officer rather than just a collaborator (reftel D). A virulent opponent of Basescu and one of the leaders of the move to suspend and remove the President, Voiculescu was indicted in the spring of 2007 on charges of money laundering. Voiculescu's prime motivation, and indeed the very purpose of his party, is to protect his business interests. He lacks a clear political program or ideology and aligns his party opportunistically. Voiculescu is not alone among politicians operating with personal enrichment as their primary motivation. George Copos, a Conservative Party ally of Voiculescu and Deputy Prime Minister worth 420 million USD, is most certainly cut from the same cloth, although his wealth is centered on the hotel

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and hospitality industry; he is perhaps best known as the owner of one of Romania's top soccer teams, Rapid. Voiculescu's family is worth approximately 500 million USD as of 2006.

¶4. (C) Sorin Ovidiu Vantu: Though he claims to lean to the right politically, Sorin Ovidiu Vantu has no direct ties to any single political party, opting instead to influence all of them. Vantu made his initial fortune trading privatization vouchers, relying on a network of former Securitate officers for insider information on major companies. His business practices have been controversial, perhaps even criminal. In 2000 Romania's largest mutual fund--a pyramid scheme orchestrated by Vantu--crashed, costing approximately 300,000 investors some 400 million dollars. In January 2007, he was sentenced to two years in prison, pending appeal, for falsifying documents to conceal his diversion of funds from the pyramid scheme to fund a bank. Vantu retains influence over Romanian politics through wide-ranging ties to figures in the upper echelons of Romanian governance. During the spring 2007 push to suspend and remove President Basescu, Vantu was actively advising PSD Leader Mircea Geoana on his political and media strategy. He is also tied to former Finance Minister Sebastian Vladescu, now a State Secretary within the Ministry who sat on the board of directors for one of Vantu's companies and is likely still linked closely to him. Similarly, current Finance Minister Varujan Vosganian received financial support from Vantu in the 1990s for a right-of-center political party and is today, according to Deputy and National Initiative Party leader Cosmin Gusa, at least "partially in Vantu's pocket." Vantu has a strong, publicly acknowledged, and long-standing friendship with former SRI director Radu Timofte (2001-2006), likely giving him a certain level of access to intelligence world. His influence also derives from links to labor union leader Liviu Luca and his influence over Romania's labor unions, as well as his ownership of Realitatea TV, Romania's version of CNN. While he is not thought to direct Realitatea's editorial direction on a day-to-day basis, he was careful during President Basescu's

suspension to keep some sense of balance in the channel's approach, especially after it became increasingly obvious that the impeachment move championed by Geoana, Voiculescu and others would fall far short of the mark. Vantu's net worth is estimated at approximately 900 million USD as of 2006.

15. (C) Ioan Niculae: Niculae is said to maintain good relations with all major parties and past governments, although in the past he has been seen as a major patron of the PSD. Prior to 1989, Niculae allegedly served as a Securitate officer. Today he owns the largest agricultural company in Romania (the InterAgro Group) as well as a leading insurance company (ASIROM). In 2000 and 2001, Niculae was involved in the controversial privatization of the National Society for Romanian Tobacco (SNTR), in which, after a rigged bidding process, he obtained a majority share in the company for a mere 10 million dollars. Subsequently, in 2004, the Ministry of Agriculture regained control of the company, partially erased its debt, and re-sold the controlling share to Virgin Islands-registered holdings companies controlled by Niculae, further increasing his profit. According to the Pro Democracy Association's Financial Disclosure Database, in June 2004, Niculae donated over 840,000 USD to the PSD through his insurance company ASIROM and the ASTRA Refinery in Ploiesti (which he controls officially through InterAgro with a 6.5% share and unofficially through majority shareholder Kreyton Ltd, a holding company in the Virgin Islands). Additionally, Niculae appears to have links to high-level SRI officers and is currently involved in a scandal involving intelligence officers in Prahova who were involved in the illegal, untaxed sale of oil to a network of dealers. A March 9 Ziua newspaper article even alleges that Niculae benefits from President Basescu's protection, having provided the president with a free ASIROM life insurance policy. Niculae is worth approximately 700 million USD as of 2006.

16. (C) George "Gigi" Becali: Recent opinion polls indicate that Steaua soccer team owner Gigi Becali is the second most popular political figure in Romania after President Basescu. Reportedly, Becali's fortune can be traced to his father's black market trading in sheep, benefiting Securitate agents responsible for monitoring him while in exile for his association with the Iron Guard. In a 2004 pre-election interview, Becali admitted to receiving about 150,000 USD from his family when Ceausescu's regime fell. After working in the family shipping and yogurt business during the

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Communist period, Becali made his initial fortune in 1990 by exporting truck-loads of allegedly stolen ball bearings to Turkey and importing low-quality blue jeans from a provider in Istanbul. Most of his wealth, however, stems from shrewd real estate deals, some tied to dubious insider manipulations. Becali was behind a highly controversial business deal in 1999 involving an exchange of 21 hectares of land far from Bucharest with an equal amount of army-owned land in the now-posh Baneasa suburb of Bucharest. In July 2007, media reports claimed that Becali had bribed former Defense Minister Victor Babiuc by providing his daughter with a suburban property in return for the aforementioned land trade. Becali has linked himself to the Romanian nationalist right. He has called in the past for the canonization of 1930s Romanian Legionnaire chief Corneliu Zelea Codreanu; he is the leader of the nationalist New Generation Party (PNG), which he allegedly bought from Bucharest Mayor Viorel Lis in 2004 (reftel C). Ironically, Becali also has a close relationship with PSD leader Viorel Hrebenciuc who supported his take-over of the PNG in order to undermine Vadim Tudor's PRM. In addition, Becali has some ties to President Basescu, having supported his referendum campaign and, famously, publicly celebrating a Steaua victory deep into the night alongside the President. He has also allegedly paid media mogul Adrian Sarbu for favorable coverage on his television channels. He is worth approximately 950 million USD as of

Regional Barons

17. (SBU) Atilla Verestoy: Verestoy, the UDMR's primary financial backer, has been an UDMR Senator representing Harghita County since 1990. He is currently the leader of the UDMR in the Senate and the vice president of the joint parliamentary committee overseeing the SRI. Prior to 1989, Verestoy, a chemist by training, worked at a research institute run by Elena Ceausescu. In April 2007, the newspaper Atac published allegations, by a former Securitate officer, that Verestoy had been recruited by the Securitate in his hometown of Odorheiul Secuiesc, despite an October 2006 decision by the CNSAS indicating that Verestoy had not collaborated with the Securitate. Since 1990, Verestoy's wealth has been concentrated in a Harghita-based lumber industry and his stock portfolio. He has also been involved in a number of political scandals, some recent. In 2005 he and PNL Health Minister Eugen Nicolaescu were implicated when the Romanian Health Ministry offered a seven-million dollar hospital services contract to Hungastro (a services company of which Verestoy was, until recently, the primary shareholder) after disqualifying the top-bidder on a technicality. In May 2007, he was implicated in a possible insider trading scheme after trading shares on the Romanian Stock Exchange affected by a law parliament was in the process of adopting. He is worth approximately 54 million USD as of 2006.

18. (C) Viorel and Ioan Micula: Often referred to as the brothers from Bihor, Viorel and Ioan Micula are by far the wealthiest of those we consider "Regional Barons." The Micula brothers own media interests through the National Media Center, a media conglomerate estimated to be worth almost \$150 million, with three TV stations (National TV, N24 News, and Favorit TV) and one radio station (National FM). Though active in the media and hotel business, they are most closely identified with European Drinks & Food Group, a company with a longstanding reputation for dubious business practices which has, in the past, used political and economic manipulation to gain an advantageous market position (reftel A). The Micula brothers are reportedly connected to all major parties in Bihor. A number of local councilors for the PD, PSD and PNL work for Micula companies while their cousin, Catalin Micula, is a PNL Deputy in charge of the Committee on Culture and Education. Cornel Popa, the PNL vice-president for Northwestern Romania, is also reportedly close to the Micula brothers. Their net worth was estimated at around 770 million USD as of 2006.

19. (SBU) Iulian Dascalu: Known as the "King of the Malls," Iulian Dascalu is a relatively young (37), wealthy businessman from Iasi. Originally from a poor family, Dascalu has managed to build his Iulius Group SRL into a country-wide company boasting a number of major malls in Moldova and Transylvania. In July 2007, Dascalu's wedding in Italy boasted a guest list of all the influential figures from Iasi, including controversial PNL leader Relu Fenechiu (Note: See Intellipedia Biographies for more information on Fenechiu. End Note.) The Palas Project, Dascalu's most controversial, envisions a residential complex in the heart

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of Iasi on land awarded by PSD Mayor Gheorghe Nechita to Dascalu without the formality of a bidding process. Both Nechita and Iasi PNL chief Fenechiu have shown public support for this project, causing media to report on a secret PNL-PSD coalition behind the project. Through his companies, Dascalu also has connections to the judiciary, the SRI, and the Securitate, with some former high-ranking officials from all of these now serving as executives or otherwise connected to his firm. His net worth is estimated at approximately 120 million USD.

A highly influential figure who doesn't quite fit

¶10. (C) Ion Tiriac is the second wealthiest Romanian in the world, according to Capital Magazine's Top 300 Wealthiest Romanians, and resides in Monaco. He has no official ties to any party, although he is known to have had particularly close relations with the PSD and former PM Adrian Nastase. Despite these ties, he maintains good relations with all governments and parties and, unlike some other figures, has a relatively positive public reputation. Tiriac was once even supported by opposing parties as a candidate for PM in a possible technocratic government. He originally became wealthy outside of Romania as, among other things, Ilie Nastase's doubles tennis partner and Boris Becker's manager.

Tiriac's international tennis stardom allowed him a certain amount of freedom under the Ceausescu regime, though he did play for the Securitate-associated Dynamo sports team. In Romania he has amassed a fortune through the successful development and sale of banking and insurance companies to Western firms. It is Tiriac's strong German business connections with groups such as HVB and Allianz Insurance which have given him a great deal of leverage with Romanian officials. Despite his relatively clean appearance, Tiriac has, however, met with controversy. Following his son's arrest for drug dealing, Tiriac is reported to have used his money and power to clear his son's name, resulting in an investigation of those prosecuting the case by former Justice Minister Monica Macovei. Another controversy, in 2005, involved the illegal killing of wild boars by a hunting party invited to Romania by Tiriac. He is worth approximately 1.5 billion USD as of 2006.

Sometimes the mighty do fall

¶11. (C) Not all of Romania's power brokers have shown the degree of staying power demonstrated by the figures presented above. Ovidiu Tender, a figure tied to the Securitate who built his fortune in the oil business and defrauded the Romanian government to the tune of 93 million dollars before being jailed temporarily, is the perfect example of a former "Oligarch" whose influence has reportedly declined due to a National Anticorruption Directorate (DNA) investigation and loss of political backing. Tender, who is also reportedly tied to Dinu Patriciu and the PNL, is heavily implicated in a corruption scandal involving the privatization of the RAFO oil refinery, one involving a number of figures tied to Russian organized crime (reftel E). Following revelations of the scandal, Tender found himself in jail for a 30-day pre-trial detention after attempting to bribe an expert witness. In a July 9 meeting with Poloff, investigative journalists Stefan Candea and Sorin Ozon suggested that, though still powerful, Tender's influence may be in decline since his detention. Despite this, Romania's AP bureau chief told Poloff in a July 13 meeting that a resurgent Tender has made a significant amount of money since serving his jail term, an indication that his influence may be rising again, especially now that DNA independence is under attack. Ovidiu Tender's net worth is estimated at around 190 million USD as of 2006.

¶12. (C) Comment. The Romanian game of money and politics is consistent, but not static. The influence of "Regional Barons" has shifted with the 2004 election and the April 2007 change in government. Even the Romanian "Oligarchs" are not assured a continuous presence on the Romanian political scene, which President Basescu has shaken up by providing political cover for prosecutors at the DNA to investigate high-level corruption. The predicament of a figure such as Tender is evidence that, if its cases are brought to fruition, the DNA has the potential to eliminate highly corrupt figures from the Romanian political and economic scene. However, while the DNA's investigations may have temporarily sidelined some major players such as Tender, no

highly influential figures have yet seen real jail time in Romania. Anti-corruption efforts and prosecutions have clearly begun to sputter in the wake of EU accession as traditional corrupt influences reassert themselves. Additional information on oligarchs, regional barons, and other figures is available on Embassy Bucharest's Intellipedia Biographies. End Comment.

¶13. (U) This report was prepared by the Political Section's Summer Intern, Indiana University graduate student Jeremy Stewart.

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